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ANNUAL REPORT

OF THE

PUBLIC EMPLOYEES' RETIREMENT DIVISION

OF

THE DEPARTMENT OF ADMINISTRATION

TO THE

GOVERNOR OF MONTANA

HONORABLE THOMAS L. JUDGE

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FISCAL YEAR ENDED

JUNE 30, 1973

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TED SCHWINDEN
KEVIN J. SHANNON

STATE OF MONTANA
THOMAS L. JUDGE, GOVERNOR

DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT DIVISION

1712 NINTH AVENUE
TELEPHONE: AREA CODE 406/449-3154
HELENA, MONTANA 59601

The Honorable Thomas L. Judge
Governor
State of Montana
Helena, Montana 59601

Dear Governor Judge:

In accordance with Sections 82-4001 and 82-4002, R.C.M., 1947, I herewith submit to you the report covering the fiscal year ended June 30, 1973 of the Public Employees' Retirement Division of the Department of Administration.

Major accomplishments during the year included:

(1) Complete recodification of the Public Employees' Retirement Act including benefit increases with no increase in employer or employee contributions.
(2) Broader investment authority to increase funding from investment incomes.
(3) Initiated informational program which resulted in 3,000 additional pieces of communication.
(4) Initiated legislation for legislative study of the operations for all public retirement systems.
(5) Implemented the audit program piloted in the previous year for on-site social security audit.
(6) Reduced budget expenditures from $216,777 to $215,725 or .485%.

Respectfully submitted,

Lawrence P. Nachtsheim

Lawrence P. Nachtsheim
Administrator

TABLE OF CONTENTS

Principal Offices and Officers 1

Legal References 2

PUBLIC EMPLOYEES' RETIREMENT SYSTEM:

Principal Goals, Objectives, Major Accomplishments. 3

Performance Indicators. 5

SOCIAL SECURITY:

Principal Goals, Objectives, Major Accomplishments. 7

Performance Indicators. 8

Program Cost Detail and Summary. 9

PRINCIPAL OFFICES AND OFFICERS

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OFFICER TERM OF OFFICE	HOME ADDRESS
BOARD OF ADMINISTRATION	
John L. Prebil, President 1970 - 1975	805 5th Avenue Helena, Montana
Kevin J. Shannon, Vice President 1973 - 1976	832 Park Avenue Butte, Montana
Fred L. Hill 1972 - 1977	1100 5th Ave. N. Great Falls, Montana
Ted Schwinden 1969 - 1974	1335 Highland Helena, Montana

PRINCIPAL ADMINISTRATIVE OFFICERS

Lawrence P. Nachtsheim, Administrator
Marie O. Klemme, Assistant Administrator
Francis H. Rice, Accounting Supervisor
Martin Brekke, Social Security Supervisor
Michael J. Hughes, Attorney
Milliman & Robertson, Consulting Actuaries, Seattle, Wash.

PRINCIPAL OFFICE

1712 Ninth Avenue, Helena, Montana 59601

GENERALLY

The Board of Administration of the Public Employees' Retirement System and the Department of Administration are responsible for the administration of the Public Employees' Retirement System, the Game Wardens' Retirement System, the Judges' Retirement System, the Highway Patrolmens' Retirement System and the Social Security Division which provides coverage for certain officers and employees of the State of Montana and its political subdivisions.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

The Public Employees' Retirement Act is compiled in Title 68, Chapters 15 through 25, Revised Codes of Montana, 1947.

GAME WARDENS' RETIREMENT SYSTEM

The Game Wardens' Retirement Act is compiled in Title 68, Chapter 14, Revised Codes of Montana, 1947.

JUDGES' RETIREMENT SYSTEM

The Judges' Retirement System Act is compiled in Title 93, Chapter 11, Revised Codes of Montana, 1947.

HIGHWAY PATROLMENS' RETIREMENT SYSTEM

The Highway Patrolmens' Retirement System Act is compiled in Title 31, Chapter 2, Revised Codes of Montana, 1947.

SOCIAL SECURITY

The act providing coverage of officers and employees under the Federal Social Security Act is compiled in Title 59, Chapter 11, Revised Codes of Montana, 1947.

VOLUNTEER FIREMENS' PENSION

The Volunteer Firemens' Compensation Act is compiled in Title 11, Chapter 20, Revised Codes of Montana, 1947.

ALL RETIREMENT SYSTEMS

The Executive Reorganization Act as it is effects the retirement systems is compiled in Title 82A, Chapter 2, Section 210, Revised Codes of Montana, 1947.

PROGRAM - RETIREMENT

PRINCIPAL GOAL

The goal of the Public Employees' Retirement Division is to provide to the employees of the State of Montana and its political subdivisions some measure of security with adequate benefit programs in the areas of death, disability and retirement.

OBJECTIVES

Provide maximum service and information to the members at a reasonable cost.

Develop a computerized system with the capacity to provide efficiency of operation not only for the present but for many years into the future.

Provide a central source of retirement information for members, the legislature and the executive.

Continue to improve funding primarily through investments in order that future benefits can be funded without additional contributions.

Continue striving to simplify procedures and increase efficiency in the handling of retirement applications.

MAJOR ACCOMPLISHMENTS

(1) Completed recodification of the Public Employees' Retirement Act with benefit increases which included a cost of living increase to retirees without any increase in employer or employee contributions.

(2) Broader investment authority which permitted 20% of the retirement fund to be invested in common stocks to increase investments yields in order that some future benefits may be funded out of increased investment incomes.

(3) Initiated informational program through the cooperation of the Governor's Office which resulted in 30 information talks in 23 cities in Montana to 25% of the P.E.R.S. membership. This series of meetings resulted in an excess of 3,000 pieces of extraordinary communication.

(4) Initiated legislation for legislative study of the operation of public employee retirement system both state and locally administered to provide equitable and uniform procedures for retirement funding, legislation and operation.

PREFORMANCE INDICATORS

Public Employees' Retirement System

Cost:	1970-71	1971-72	1972-73
Administrative	$ 152,888	$ 156,635	$ 166,151
Benefits	6,365,445	7,356,998	8,645,722
Refund of Contributions	2,230,150	2,354,532	2,975,063
Assets	70,281,539	80,351,799	91,118,953
Performance:			
Membership Active	22,096	20,358	21,075
Membership Inactive		4,009	4.133
Refunds	4,351	4,807	5,407
Benefits @ 6/30	2,939	3,242	3,456
Interest Income	4,173,000	4,695,000	5,550,171
Yield on Investments	6.30%	6.42%	6.56%

Game Wardens' Retirement System

Cost:			
Benefits	24,021	38,478	56,348
Refund of Contributions	8,174	825	486
Assets	860,535	998,198	1,130,904
Performance:			
Membership	87	82	93
Benefits	6	10	14
Interest Income	51,878	53,640	58,338
Yield on Investments	6.73%	5.98%	6.37%

Judges' Retirement System

Cost:			
Administrative	1,100	1,500	1,500
Benefits	60,327	74,669	101,956
Refund of Contributions	Ø	557	355
Assets	677,999	816,502	934,872
Performance:			
Membership	31	29	31
Benefits	7	8	9
Interest on Income	42,768	46,508	56,672
Yield on Investments	7.27%	6.47%	6.87%

Highway Patrol Retirement System

Cost:	1970-71	1971-72	1972-73
Benefits	178,213	180,008	186,829
Refund of Contributions	7,656	Ø	1,296
Assets	1,856,947	2,001,767	2,241,720

Performance:

Membership	191	189	206
Benefits	68	66	68
Interest Income	95,156	106,620	125,289
Yield on Investments	5.44%	5.68%	6.98%

VOLUNTEER FIREMEN FUND

The first payment of benefits will occur in next fiscal year.

	1972-73	1971-72	Increase
ASSETS	1,020,045	908,423	111,622

PROGRAM - SOCIAL SECURITY

PRINCIPAL GOAL

The Social Security Program exists to provide, to employees of the state and its political subdivisions, and to the dependents and survivors of such employees, the basic protection accorded to others by the Old Age and Survivors' Insurance System embodied in the Social Security Act, through an agreement between the State of Montana and the Department of Health, Education and Welfare. This agreement, which was entered into on December 7, 1953 is referred to as the Federal-State Agreement.

OBJECTIVES

Establish effective on-site audit program to minimize reporting errors and facilitate adequate record keeping at the reporting agency level.

Expedite collections of contributions to maximize investment income.

Continue to inform and advise reporting agency of proper reporting of individual wages.

MAJOR ACHIEVEMENTS

(1) Extended coverage to ten new employee groups.

(2) Implemented the audit program piloted in the previous year for on-site social security audits. This program has provided reporting officials with information on correct reporting procedures as well as allowing the P.E.R.S. to correct errors that have been made on previous reportings.

(3) Reduced budget expenditures for program from $58,642 to $48,074 or 21%.

PERFORMANCE INDICATORS

	1970-71	1971-72	1972-73
Number of entities	797	777	749
Assets	4,892,394.09	5,539,973,000	5,945,977.00
Number of errors corrected	1,254	2,500	1,000

PROGRAM COST SUMMARY

PROGRAM	Fiscal Year 1972-73	Fiscal Year 1971-72	Increase (Decrease)
Operations:			
Public Employees' Retirement System	$ 166,151	$ 156,635	$ 9,516
Judges Retirement System	1,500	1,500	-0-
Social Security Division	48,074	58,642	(10,568)
Total	$ 215,725	$ 216,777	$(1,052)
Benefits & Payments to U.S. Treasurer*:			
Public Employees Retirement System	8,645,722	7,356,998	1,288,724
Game Wardens' Retirement System	56,348	38,478	17,870
Judges' Retirement System	101,956	74,669	27,287
Highway Patrol Retirement System	186,829	180,008	6,821
Social Security Division	26,434,255	23,067,674	3,366,581
Total	$35,425,110	$30,717,827	$4,707,283
Totals:			
Public Employees' Retirement System	8,811,873	7,513,633	1,298,240
Game Wardens' Retirement System	56,348	38,478	17,870
Judges' Retirement System	103,456	76,169	27,287
Highway Patrol Retirement System	186,829	180,008	6,821
Social Security Division*	26,482,329	23,126,316	3,356,013
	$35,640,835	$30,934,604	$4,706,231

PROGRAM COST DETAIL

PROGRAM	1972-73 FY Total	Personal Services	Operations Expenses
Public Employees' Retirement System	$166,151	$108,639	$ 56,706
Game Wardens' Retirement System	-0-	-0-	-0-
Judges' Retirement System	$ 1,500	-0-	$ 1,500
Highway Patrol Retirement System	-0-	-0-	-0-
Social Security Division	48,074	28,229	19,341
Total	$215,725	$136,868	$ 77,547

	Capitol	Grants & Benefits	Increase in Assets
Public Employees' Retirement System	806	8,645,722	10,118,953
Game Wardens' Retirement System	-0-	56,348	132,705
Judges' Retirement System	-0-	101,956	118,370
Highway Patrol Retirement System	-0-	186,829	239,953
Social Security Division	504	26,434,255	406,004
Total	$ 1,310	$35,425,110	$11,015,985

SOURCE OF FUNDING

Earmarked Revenue Fund:	
Public Employees' Retirement Account	$ 166,151
Judges' Retirement Account	1,500
Social Security Account	48,074
Total	$ 215,725
Agency Fund:	
Public Employees; Retirement Account	$ 8,645,722
Game Wardens' Retirement Account	56,348
Judges Retirement Account	101,956
Highway Patrol Retirement Account	186,829
Social Security Account	26,434,255
Total	$35,425,110